



2004-2005 FLEXIBLE SPENDING ACCOUNTS

Value Life's Benefits
The State of Illinois

FSA Booklet

EMPLOYER	QUESTIONS CONCERNING	HOURS	PHONE /WEB ADDRESS
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State of Illinois	Enrollment, Qualifying Change in Status, Payroll Discrepancies, Reimbursement checks (until 10/04)	M - F 8:30 a.m. - 5:00 p.m. CT	1-800-442-1300 www.benefitschoice.il.gov
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COMPANY	QUESTIONS CONCERNING	HOURS	PHONE /WEB ADDRESS
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Fringe Benefits Management Company (FBMC) (Flexible Spending Accounts)	Claims Eligibility and Status, Reimbursement Checks (starting 10/04), EZ Reimburse® MasterCard®, Quarterly/Monthly Statements, Account Balance	M - F 6 a.m. - 9 p.m. CT 24 hours a day	1-800-342-8017 1-888-865-FBMC (3262) www.fbmc-benefits.com
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State of Illinois

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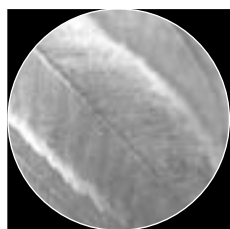
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IMPORTANT DATES TO REMEMBER

Your Period of Coverage* dates are:
July 1, 2004, through June 30, 2005.

** may differ if you have a mid-year qualifying change in status*

webcustomerservice@fbmc-benefits.com



What's New

- FBMC now offers the EZ REIMBURSE® Card as a Medical Care Assistance Plan (MCAP) enhancement. See Page 8 for further details.
- **Multiple periods of coverage may occur if you make a mid-year change due to a qualifying change in status. See page 15 for further details.**

Important Enrollment Information

- Your 2004-2005 Plan Year is July 1, 2004, through June 30, 2005.
- Remember, if you experience a mid-year qualifying change in status, your period of coverage may change and expenses incurred are connected to that same time period.
- FBMC will begin processing reimbursement checks for services incurred and reimbursed 10/1/04 and after.
- Direct Deposit is a reimbursement option for both MCAP and DCAP.
- Over-the-Counter (OTC) items are now eligible for reimbursement. See Page 11 for further information.
- Orthodontic services can be paid for with the new EZ REIMBURSE® MasterCard® Card when services are rendered.
The entire amount of orthodontic services is now eligible to be reimbursed in full.
- Return your completed Enrollment Form to your Group Insurance Representative (GIR) before the Benefit Choice deadline.

Making Your Benefits Work for You — It's Easy.

- Once you review the FSA guidelines and become familiar with how the program works, you'll determine how you and your family can save a significant amount of tax money — if you understand the governing IRS rules. See Page 7 for FSA guidelines.
- When necessary, remember to submit your supporting receipts, billing statements or invoices along with your Fax Transmittal Cover Sheet within 30 days of your transaction date when using your EZ REIMBURSE® MasterCard® Card for medical services.
- Visit www.fbmc-benefits.com to view a list of participating pharmacies in your area.
- You must check the box on your MCAP Enrollment Form to request the EZ REIMBURSE® Card.
- You may visit FBMC's Web site at **www.fbmc-benefits.com** or e-mail **webcustomerservice@fbmc-benefits.com** for more information. You may also contact FBMC Customer Service at 1-800-342-8017.



Getting answers to many of your benefit questions is now easier than ever. FBMC Customer Service offers you a variety of resources to make inquiries on your Flexible Spending Account, including information from the FBMC Web site, Interactive Voice Response system or Customer Service.

FBMC Web Site

FBMC's Web site provides comprehensive details regarding your Flexible Spending Account(s).

By entering **www.fbmc-benefits.com** into your Internet browser, you will open FBMC's homepage. Answers to many of your benefit questions can be obtained by using the following navigational tabs located along the top portion of the home page.

Account Information

When you select the '**Account Information**' tab, you'll be prompted to enter your Social Security number and Personal Identification Number (PIN). The last four digits of your SSN will be your first PIN, whether using the Web site or the IVR system. After your initial login, select your own confidential four-digit PIN to access both systems in the future. After this login, the following menu items will be available to you.

- **My Benefits**— includes information on current benefits, such as effective date, number of deductions and pre-tax annual contribution
- **My Account Transactions**— allows review of transactions from your current plan year, including grace period information
- **Account Balance**— gives specifics about account availability, paid amounts and payment status
- **My Claims**— provides information on open and current reimbursement claims such as date received, status and amount authorized
- **Change In Status**— enables confirmation of request status, date received, effective date and information on multiple annualized amounts (periods of coverage).
- **EZ REIMBURSE® MasterCard® Card Pharmacy Locator**— locate a participating pharmacy in your area
- **Tax Savings Analysis**— calculates potential per-pay-period and annual tax savings as well as long-term savings (no login required)

Downloading Forms

When you select the '**Download Forms**' tab, a choice of forms, including a Debit Card Receipt Transmittal Letter of Medical Need, FSA Reimbursement Request Claim Form and Direct Deposit Form, are posted for your convenience.

Frequently Asked Questions

The '**Frequently Asked Questions**' tab provides answers to many of your general questions regarding Flexible Spending Accounts (FSAs), the EZ REIMBURSE® Card and general enrollment information.

FBMC Customer Service

The '**Customer Service**' tab gives you a direct link to the FBMC Customer Service Center.

FBMC Interactive Benefits

FBMC's 24-hour automated phone system, Interactive Voice Response (IVR), can be reached by calling 1-800-865-FBMC (3262). This system allows you to access your benefits any time. By following the voice prompts, you can find out a great deal of information about your benefits.

- Current Account Balance(s)
- Claim Status
- Mailing Address Verification
- Obtain FSA Reimbursement Request Claim Forms
- Change Your PIN

Personal Identification Number (PIN)

To access both the FBMC Web site and the Interactive Voice Response (IVR) system, all you need is your Social Security number (SSN). The last four digits of your SSN will be your first PIN, whether using the Web site or the IVR system. After your initial login, select your own confidential four-digit PIN to access both systems in the future. Your new PIN cannot be the last four digits of your SSN, as it was previously. If you forget your PIN, you may send an e-mail to a Customer Service Representative at **webcustomerservice@fbmc-benefits.com**. Once you've selected your new PIN, you may access information about your benefits.



Record PIN here.

Remember, this will be your PIN for both Web and IVR access.

Note: Please be sure to keep this FSA Booklet in a safe, convenient place, and refer to it for benefit information.

Who is eligible to participate in the Flexible Spending Account (FSA) program?

To participate in the Medical Care Assistance Plan (MCAP), you must be:

- a State of Illinois employee working full-time or not less than half-time
- receiving a paycheck from which deductions can be taken
- eligible to participate in the state employees' group insurance health plan.

To participate in the Dependent Care Assistance Plan (DCAP), you must be:

- a current State of Illinois employee
- receiving a paycheck from which deductions can be taken.
- If you are married, your spouse must also be gainfully employed, a full-time student, disabled and incapable of self-care or seeking employment and have income for the fiscal year.

How does termination or leave affect my FSA?

If you terminate employment or go on unpaid leave, your eligibility for either or both FSAs may change. While your DCAP cannot be continued following termination or the start of unpaid leave, you may be able to change or continue your MCAP election upon completion of the appropriate forms and requirements. To make this change or to continue coverage, contact your employer within 60 days of the event.



6 Flexible Spending Accounts

What is a Flexible Spending Account?

The State of Illinois provides you with IRS tax-favored Flexible Spending Accounts (FSAs) to stretch your medical care and dependent care dollars.

Flexible Spending Accounts feature:

- IRS-approved reimbursement of eligible expenses tax free
- per-pay-period deposits from your pre-tax salary
- savings on federal and Social Security taxes and
- security of paying anticipated expenses with your FSA.

Is an FSA right for me?

If you spend \$240 or more on recurring eligible expenses during your plan year, you may save money by paying for them with an FSA. A portion of your salary is deposited into your FSA each pay period.

- You decide the amount you want deposited.
- You are reimbursed for eligible expenses before income and Social Security taxes are deducted.
- You save income and Social Security taxes each time you receive wages.
- Determine your potential savings with a Tax Savings Analysis at www.fbmc-benefits.com/customer/taxanalysis.asp.

What types of FSAs are available?

The State of Illinois offers you the Medical Care Assistance Plan (MCAP) and the Dependent Care Assistance Plan (DCAP). If you incur both types of expenses during a plan year, you can establish both types of FSAs.

MCAP

Medical expenses not covered by your insurance plan that are medically necessary may be eligible for reimbursement. This includes:

- birth control pills / prescriptions
- eyeglasses
- orthodontia
- over-the-counter items and
- copayments.

DCAP

Dependent care expenses, whether for a child or an elder, include any expense that allows you and your spouse to work, such as:

- day care services
- in-home care
- nursery and preschool and
- summer day camps (certain limitations).

Refer to the MCAP and the DCAP sections of this FSA Booklet for specifics on each type of FSA.

Receiving Reimbursement

Your reimbursement will be processed within two business days from the time FBMC receives your properly completed and signed FSA Reimbursement Request Form. To avoid delays, follow the instructions for submitting your requests located in the FSA materials you will receive following enrollment.

Direct Deposit

Enroll in Direct Deposit to expedite the time of your reimbursement.

- FSA reimbursement funds are automatically deposited into your checking or savings account.
- There is no fee for this service.
- You do not have to wait for postal service delivery of your reimbursement (however, you will receive notification that the claim has been processed).

To apply, complete the Direct Deposit Enrollment Form available at www.fbmc-benefits.com or call FBMC Customer Service at 1-800-342-8017. Please note that processing your Direct Deposit enrollment may take between four to six weeks.

Where can I get information about FSAs?

If you have specific questions about FSAs, contact FBMC Customer Service.

- Visit www.fbmc-benefits.com.
- E-mail webcustomerservice@fbmc-benefits.com.
- Call 1-800-342-8017 (Monday-Friday, 6 a.m.-9 p.m. CT).

Please note that due to FBMC's Privacy Policy, we will not discuss your account information with others without your verbal or written authorization.

FSA Savings Example*

\$31,000	Annual Gross Income	\$31,000
<u>- 5,000</u>	FSA Deposit for Recurring Expenses	<u>- 0</u>
\$26,000	Taxable Gross Income	\$31,000
<u>- 5,889</u>	Federal, Social Security Taxes	<u>-7,021</u>
\$20,111	Annual Net Income	\$23,979
<u>- 0</u>	Cost of Recurring Expenses	<u>-5,000</u>
\$20,111	Spendable Income	\$18,979

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of \$1,132!

* Based upon a 22.65% tax rate (15% federal and 7.65% Social Security) calculated on a calendar year



FSA Guidelines:

1. The IRS does not allow you to pay your medical or other insurance premiums through either type of FSA. Refer to the "Written Certification" portion of the *Beyond Your Benefits* section on Page 17 of this FSA Booklet for more specifics.
2. You cannot transfer money between FSAs or pay a dependent care expense from your MCAP or vice versa.
3. You have a 90-day grace period (until September 30, 2005) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2005 Plan Year.
4. You may not receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
5. You cannot deduct reimbursed expenses for income tax purposes.
6. You may not be reimbursed for a service which you have not yet received.
7. Be conservative when estimating your medical and/or dependent care expenses for the Plan Year. Any unused funds which remain in your FSA after a plan year ends and all reimbursable requests have been submitted and processed cannot be returned to you nor carried forward to the next plan year.

What documentation of expenses do I need to keep?

Federal regulations require FSA customers to maintain complete documentation, including keeping copies of receipts for reimbursed expenses, for a minimum of one year.

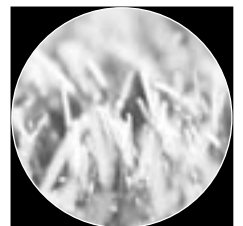
How do I get the forms I need?

To obtain forms you will need after enrolling in either the MCAP or DCAP, such as an FSA Reimbursement Request Form, Letter of Medical Need or Direct Deposit Form, you can visit FBMC's Web site, **www.fbmc-benefits.com**, or call FBMC Customer Service at 1-800-342-8017. For more information, refer to the *Getting Answers* section on Page 4 of this FSA Booklet.

Will contributions affect my income taxes?

Salary reductions made under a cafeteria plan, including contributions to one or both FSAs, will lower your taxable income and taxes. These reductions are one of the money-saving aspects of starting an FSA. Your salary reductions will reduce earned income for purposes of the federal Earned Income Tax Credit (EITC).

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information.



Basics about the EZ REIMBURSE® Card

The EZ REIMBURSE® Card electronically debits funds from your MCAP account when an eligible, uninsured medical expense is incurred.*

Much like other debit cards, there is no risk of overspending or exceeding your account limits. If funds are not available because your annualized amount has been spent down, the transaction is denied. Because no credit is being extended, cards are available to anyone who signs up for MCAP.

About 50 percent of all MCAP medical claims are for prescription drugs. FBMC and its partners developed a system enabling online, real-time, adjudication of prescription drug claims. When you present the card **at any FBMC participating pharmacies** to buy a prescription drug or to pay the prescription co-payment, your MCAP is automatically debited.

You may use the card for:

- co-payments at doctor/dentist/ophthalmologist/optometrist offices
- deductibles
- prescription co-payments or
- co-payments, prescriptions and other health-related expenses (excludes Over-the-Counter items).

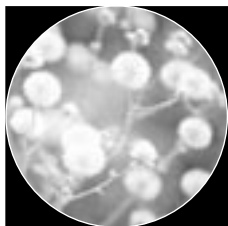
IRS guidance reduces the need for submitting documentation to FBMC for eligible prescription expenses, co-payments and recurring expenses.

For all other health care expenses, you must send or fax a copy of your statement, bill or receipt (showing date of service, type of service and total amount) along with a EZ REIMBURSE® Receipt Transmittal Sheet for processing within 30 days of the transaction. However, you **must** keep all substantiating documents for your records for a minimum of one year and submit immediately to FBMC or the IRS upon request. You do not have to wait for reimbursement; as long as the vendor accepts MasterCard and is appropriately coded as a health care facility, the expense is still debited from your MCAP. . . and not from your wallet! Instructions on when to submit receipts will be provided to card participants with post-enrollment materials.

Visit www.fbmc-benefits.com to view a list of frequently asked questions, download forms and to locate participating pharmacies.

You must keep your receipts for a minimum of one year and submit to FBMC upon request.

* Please see the *Beyond Your Benefits* section of this FSA Booklet for information about card reimbursement.



What are the advantages of the EZ REIMBURSE® Card?

- Cash-free transactions!
- Paperless prescription medication purchases – instant claims adjudication
- Tax savings by participating in an FSA
- Annual fees or transaction fees have been waived this year

How do I get an EZ REIMBURSE® Card?

When you sign up for your MCAP, you must elect to receive your EZ REIMBURSE® Card on your Enrollment Form. It comes to you in the mail just like a regular credit card; you call the toll-free number on the front to activate the card. Starting 10/1/04, all MCAP participants will receive additional information to enroll in the EZ REIMBURSE® Card program. For additional information regarding the EZ REIMBURSE® Card, call FBMC Customer Service at 1-800-342-8017, Monday through Friday, 7 a.m. - 10 p.m. ET.

What agreement am I making when I use the EZ REIMBURSE® Card?

By using the EZ REIMBURSE® Card, you are agreeing to the certification set out in the "Written Certification" portion of the *Beyond Your Benefits* section of this FSA Booklet.

What does it cost to use the EZ REIMBURSE® Card?

There is a \$20 annual fee for using the card. This amount has been waived this year. Therefore, your card comes without any fees this plan year. However, there could be a \$5 fee for each additional card you request beyond your first card. Limit one additional card.

When do I use paper claim forms?

If a merchant or vendor cannot process the EZ REIMBURSE® Card, you must submit a paper claim form. These instances include using your card for Over-the-Counter expenses and for mail-order prescriptions. You will need to submit a FSA Reimbursement Request Form, attach a copy of your documentation and wait for the reimbursement. To shorten the wait, you can apply for direct deposit and speed up your reimbursement.

What should I do if my pharmacist doesn't know how to use the card?

For questions or assistance, your provider/pharmacist may contact the Pharmacy Help Desk at 1-800-361-4542 (M - F 7 a.m. - 6 p.m. CT).

What do I do if I lose my card?

If your card is lost or stolen, call 1-866-785-3621 immediately. There could be a \$10 fee for each lost card replacement.

Minimum Deposit: \$20 monthly (\$240 annually)
Maximum Deposit: \$416.66 monthly
(\$4999.92 annually)

What is the MCAP?

The MCAP is an IRS tax-favored account you can use to pay for your eligible medical expenses not covered by your insurance or any other plan. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

Your MCAP may be used to reimburse eligible expenses incurred by:

- yourself
- your spouse and
- your tax dependents.

To qualify as your tax dependent, an individual must:

- be your relative, or
- live with you for the entire calendar year if not your relative.

In either case, the individual must also be:

- a U.S. citizen or a resident of the U.S., Mexico or Canada and
- the recipient of at least half of their total support and/or expenses during the calendar year from you.

An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish an MCAP account.

When are my funds available?

Once you sign up for the MCAP and decide how much to contribute, the maximum annual amount of reimbursement for eligible health care expenses will be available throughout your period of coverage.

Since you do not have to wait for the cash to accumulate in your account, you can use it to pay for your eligible health care expenses at the start of your deductions.

Are prescriptions eligible for reimbursement?

Yes, most filled prescriptions are eligible for MCAP reimbursement, as long as you properly substantiate the expense. Proper submission of the reimbursement request is needed to ensure that the drug is eligible for reimbursement. The IRS requires that the complete name of all medicines and drugs be obtained and documented on pharmacy receipts. This information must be included when submitting your request to FBMC for reimbursement.

Partial List of Medically Necessary Eligible Expenses*

Acupuncture
 Ambulance service
 Birth control pills and devices
 Chiropractic care
 Contact lenses (corrective)
 Dental fees
 Diagnostic tests/health screening
 Doctor fees
 Drug addiction/alcoholism treatment
 Drugs
 Experimental medical treatment
 Eyeglasses
 Guide dogs
 Hearing aids and exams
 Injections and vaccinations
 In vitro fertilization
 Nursing services
 Optometrist fees
 Orthodontic treatment
 Over-the-Counter drugs
 Prescription drugs to alleviate nicotine withdrawal symptoms
 Smoking cessation programs/treatments
 Surgery
 Transportation for medical care
 Weight-loss programs/meetings
 Wheelchairs
 X-rays

Note: Budget conservatively. No reimbursement or refund of MCAP funds is available for services that do not occur within your plan year.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Can travel expenses for medical care be reimbursed?

Travel expenses primarily for, and essential to, receiving medical care, including health care provider and pharmacy visits, may be reimbursable through your MCAP. With proper substantiation, eligible expenses can include:

- actual round-trip mileage (\$0.14 per mile)
- parking fees
- tolls and
- transportation to another city.



10 Medical Care Assistance Plan (MCAP)

CONTINUED

Is orthodontic treatment reimbursable?

Orthodontic treatment designed to treat a specific medical condition is reimbursable if the proper documentation is attached to the initial FSA Reimbursement Request Form each plan year:

- a written statement from the treating dentist/orthodontist showing the type and date the service incurred, the name of the eligible individual receiving the service and the cost for the service
- a Letter of Medical Need from the treating dentist/orthodontist and
- a copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment.

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed.

Should I claim my expenses on IRS Form 1040?

With MCAP, the money you set aside for health care expenses is deducted from your salary before taxes. If you are enrolled in MCAP, then you cannot claim these expenses on your 1040. It is always tax free, regardless of the amount. By enrolling in the MCAP, you guarantee your savings.

Itemizing your health care expenses on your IRS Form 1040 may give you a different tax advantage, depending on the percentage of your adjusted gross income. You should consult a tax professional to determine which avenue is right for you.

Are some expenses ineligible?

Expenses not eligible for reimbursement through your MCAP include:

- insurance premiums
- vision warranties and service contracts and
- cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition.

When do I request reimbursement?

You may use your MCAP to reimburse eligible expenses after you have sought (and exhausted) all means of reimbursement provided by your insurance and any other appropriate resource. Also keep in mind that some eligible expenses are reimbursable on the date available, not the date ordered.

How do I request reimbursement?

Requesting reimbursement from your MCAP is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with the following:

- a receipt, invoice or bill from your health care provider listing the date you received the service, the cost of the service, the specific type of service and the person for whom the service was provided and
- an Explanation of Benefits (EOB)* from your health insurance provider that shows the specific type of service you received, the date and cost of the service and any uninsured portion of the cost or
- a written statement from your health care provider indicating the service was medically necessary if those services could be deemed cosmetic in nature, accompanied by the receipt, invoice or bill for the service.

Mail to: Fringe Benefits Management Company
P.O. Box 1810
Tallahassee, FL 32302-1810

Fax to: 850-514-5817

Visit www.fbmc-benefits.com for a list of frequently asked questions.

You must keep your receipts for a minimum of one year and submit to FBMC upon request.



* EOBs are not required if your coverage is through a HMO.

Over-the-Counter Expenses

Your Over-the-Counter (OTC) items, medicines and drugs may now be reimbursable through your MCAP! Save valuable tax dollars on certain categories of OTC items, medicines and drugs. You may be reimbursed for OTCs through your MCAP if:

- the item, medicine or drug was used for a specific medical condition for you, your spouse and/or your dependent(s)
- the submitted receipt clearly states the purchase date and name of the item, medicine or drug
- the reimbursement request is for an expense allowed by your employer's MCAP and IRS regulations, and
- you submit your reimbursement request in a timely and complete manner already described in your benefits enrollment information.

Note: OTC items, medicines and drugs, including bulk purchases, must be used in the same plan year in which you claim reimbursement for their cost. The list of eligible OTC categories will be updated on a quarterly basis by FBMC. It is your responsibility to remain informed of updates to this listing, which can be found at www.fbmc-benefits.com. As soon as an OTC item, medicine or drug becomes eligible under any of the categories below, it will be reimbursable retroactively to the start of the current plan year.

Newly eligible OTC items, medicines and drugs are not considered a valid change in status event that would allow you to change your annual MCAP election or salary reduction amount. Be sure to maintain sufficient documentation to submit receipts for reimbursement. You may resubmit a copy of your receipt from your records if a rejected OTC expense becomes eligible for reimbursement later in the same plan year.

Eligible Expense Categories

Allergy

Antihistamines
Nasal sprays

Antacids

Heartburn medicines

Cold Remedies

Cough drops
Decongestants
Nasal strips
Nasal sprays
Sinus medications
Throat lozenges

Pain Relief

Bug bite medication
Fever reducers
First aid creams (diaper, fever blister, poison ivy)
Menstrual cycle products for pain and cramp relief
Products for muscle or joint pain
Special ointments or creams for sunburn
Topical creams

Other Medical Remedy Items

Anti-diarrheals
Anti-fungals
Antibiotics
Asthma medications
Bandages, gauze pads, rubbing alcohol, liquid adhesives

Carpel tunnel wrist supports
Cold/hot packs for injuries
Corn/callus removers
Eye products (including reading glasses, contact lens cleaning solutions)
First aid kits
Hemorrhoid treatments
Laxatives
Motion sickness treatments
Nicotine gum or patches for smoking cessation purposes
Thermometers
Wart removers

Items Requiring Special Documentation*

Botanicals/herbals
Feminine hygiene products
Hormones
Minerals
Nasal sprays for snoring
Sunscreens
Vitamins
Weight-loss drugs to treat a specific disease

Ineligible OTC Expenses

Cosmetics
Toiletries
OTC items primarily for general health and well-being

* Contact FBMC Customer Service at webcustomerservice@fbmc-benefits.com or call FBMC Customer Service at 1-800-342-8017 for more information or to obtain a sample Letter of Medical Need or Personal Use/Capital Expenditures Statement.

NOTE: An EZ REIMBURSE® MasterCard® Card can not be used for Over-the-Counter expenses.



12 Dependent Care Assistance Plan (DCAP)

Minimum Deposit: \$20 monthly (\$240 annually)

Maximum Deposit: The maximum contribution depends on your tax filing status as the list below indicates.

What is the DCAP?

The DCAP is an IRS tax-favored account you can use to pay for your eligible dependent care expenses to ensure your dependents (child or elder) are taken care of while you and your spouse (if married) are working. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

Under the DCAP, you may be reimbursed for eligible dependent care expenses incurred by individuals residing in your household for at least eight hours a day including:

- children 12 years or younger and
- adults/children mentally or physically incapable of self-care.

What is my maximum annual deposit?

- If you are married and filing separately, your maximum annual deposit is \$2,500.
- If you are single and head of household, your maximum annual deposit is \$5,000.
- If you are married and filing jointly, your maximum annual deposit is \$5,000.
- If either you or your spouse earn less than \$5,000 a year, your maximum annual deposit is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.

When are my funds available?

Once you sign up for the DCAP and decide how much to contribute, the funds available to you depend on the actual funds in your account. Unlike the MCAP, the entire maximum annual amount is not available during the plan year, but rather after your payroll deductions are received.

Partial List of Eligible Expenses*

After school care
Baby-sitting fees
Day care services
In-home care/au pair services
Nursery and preschool
Summer day camps

Note: Budget conservatively. No reimbursement or refund of DCAP funds is available for services that do not occur within your plan year.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Should I claim tax credits or exclusions?

Since money set aside in your DCAP is always tax free, you guarantee savings by paying for your eligible expenses through your IRS tax-favored account. Depending on the amount of income taxes you are required to pay, participation in DCAP may produce a greater tax benefit than claiming tax credits or exclusions alone.

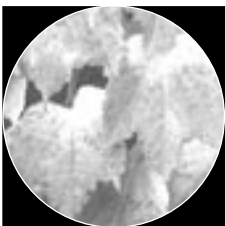
Remember, you cannot use the dependent care tax credit if you are married and filing separately. Further, any dependent care expenses reimbursed through your DCAP cannot be filed for the dependent care tax credit, and vice versa.

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information. You may also visit **www.fbmc-benefits.com** to complete a tax savings analysis.

Are some expenses ineligible?

Expenses not eligible for reimbursement through the DCAP include:

- books and supplies
- child support payments or child care if you are a non-custodial parent
- health care or educational tuition costs, registration fees, deposits
- services provided by your dependent, your spouse's dependent or your child who is under age 19.



Will I need to keep any additional documentation?

To claim the income exclusion for dependent care expenses on IRS Form 2441 (Child and Dependent Care Expenses), you must be able to identify your dependent care provider. If your dependent care is provided by an individual, you will need their Social Security number for identification, unless he or she is a resident or non-resident alien who does not have a Social Security number. If your dependent care is provided by an establishment, you will need its Taxpayer Identification Number.

If you are unable to obtain a dependent care provider's information, you must compose a written statement that explains the circumstances and states that you made a serious and earnest effort to get the information. This statement must accompany your IRS Form 2441.

When do I request reimbursement?

You can request reimbursement from your DCAP as often as you like. However, your approved expense will not be reimbursed until the last date of service for which you are requesting reimbursement has passed. Also, remember that for timely processing of your reimbursement, your payroll contributions must be current.

Be certain you obtain and submit all needed information when requesting reimbursement from your DCAP. This information is required with each request for reimbursement.

A properly completed request will help speed along the process of your reimbursement, allowing you to receive your check or direct deposit promptly.

How do I request reimbursement?

Requesting reimbursement from your DCAP is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with receipts showing the following:

- the name, age and grade of the dependent receiving the service
- the cost of the service
- the name and address of the provider
- the beginning and ending dates of the service

Be certain you obtain and submit the above information when requesting reimbursement from your DCAP. This information is required with each request for reimbursement.

Mail to: Fringe Benefits Management Company
P.O. Box 1810
Tallahassee, FL 32302-1810

Fax to: 850-514-5817

Note: If you elect to participate in the DCAP, or if you file for the Dependent Care Tax Credit, you must attach IRS Form 2441, reflecting the information above, to your 1040 income tax return. Failure to do this may result in the IRS denying your pre-tax exclusion.



To figure out how much to deposit in your FSA, refer to the following worksheets. Calculate the amount you expect to pay during the plan year for eligible, uninsured, unreimbursed out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS and FSA plan limits. (Refer to the individual FSA descriptions in this FSA Booklet for limits.)

Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year.

MCAP WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year. All services must be medically necessary.

UNINSURED MEDICAL EXPENSES

Health insurance deductibles	\$ _____
Coinsurance or co-payments	\$ _____
Vision care	\$ _____
Dental care	\$ _____
Prescription drugs	\$ _____
Over-the-Counter (OTC) items	\$ _____
Travel costs for medical care	\$ _____
Other eligible expenses	\$ _____

TOTAL Remember, your total contribution cannot exceed IRS and FSA limits for the plan year, calendar year and/or per pay period basis.

\$ _____

DIVIDE by the number of paychecks you will receive during the plan year.*

\$ _____

This is your pay period contribution.

\$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

DCAP WORKSHEET

Estimate your eligible dependent care expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

CHILD CARE EXPENSES

Day care services	\$ _____
In-home care/au pair services	\$ _____
Nursery and preschool	\$ _____
After school care	\$ _____
Summer day camps	\$ _____

ELDER CARE SERVICES

Day care center	\$ _____
In-home care	\$ _____

TOTAL Remember, your total contribution cannot exceed IRS and FSA limits for the plan year, calendar year and/or per pay period basis.

\$ _____

DIVIDE by the number of paychecks you will receive during the plan year.*

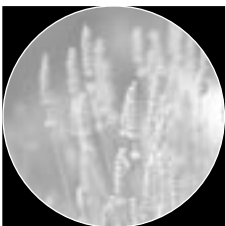
\$ _____

This is your pay period contribution.

\$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

At your request, your FSA reimbursement checks may be deposited into your checking or savings account by enrolling in direct deposit.



Am I permitted to make mid-plan year election changes?

Under some circumstances, you may make a mid-plan year election change to your FSA election, depending on the qualifying event and requested change.

How do I make a change?

You can change your FSA election(s), only under limited circumstances as provided by established IRS guidelines. A partial list of permitted and not permitted qualifying events appear on the following page. Election changes must be consistent with the event.

To Make a Change: Within **60 days** of an event that is consistent with one of the events on the following pages, you must complete and submit a MCAP and/or DCAP Enrollment/Transaction Form, along with an FSA Change in Status Form to your GIR. Contact your GIR to obtain this form. Documentation supporting your election change request is required. Upon the approval and completion of processing your election change request, your existing FSA(s) elections will be stopped or modified (as appropriate). Mid-plan year, pre-tax election changes can only be made prospectively, no earlier than the first payroll after your election change request has been received by your GIR.

What is my Period of Coverage?

Your period of coverage for incurring expenses is your full plan year, unless you make a permitted mid-plan year election change (qualifying change in status). A mid-plan year election change will result in split periods of coverage, creating more than one period of coverage within a plan year with expenses reimbursed from the appropriate period of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-plan year election change. However, expenses incurred before the permitted election change can only be reimbursed from the amount of the balance present in the FSA prior to the change.

What are the IRS Special Consistency Rules governing Changes in Status?

1. **Loss of Dependent Eligibility**— If a change in your marital or employment status involves a decrease or cessation of your spouse's or dependent's eligibility requirements for coverage due to: your divorce, or annulment from your spouse, your spouse's or dependent's death or a dependent ceasing to satisfy eligibility requirements (MCAP, child or dependent losing dependent status (i.e. graduating high school/college); DCAP, child turning age 13), you may decrease or cancel coverage only for the individual involved. You cannot decrease or cancel any other individual's coverage under these circumstances.
2. **Gain of Coverage Eligibility Under Another Employer's Plan**— If you, your spouse or your dependent gains eligibility for coverage under another employer's plan as a result of a change in marital or employment status, you may cease or decrease that individual's coverage if that individual gains coverage, or has coverage increased under the other employer's plan.
3. **Dependent Care Expenses**— You may change or terminate your DCAP election when a Change in Status (CIS) event affects (i) eligibility for coverage under an employer's plan, or (ii) eligibility of dependent care expenses for the tax exclusion available under IRC § 129.



CONTINUED

Changes in Status:

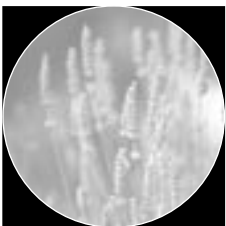
Marital Status	A change in marital status includes marriage, death of a spouse, divorce or annulment (legal separation is not recognized in all states).
Change in Number of Tax Dependents	A change in number of dependents includes the following: birth, death, adoption and placement for adoption. You can add existing dependents not previously enrolled whenever a dependent gains eligibility as a result of a valid CIS event.
Change in Status of Employment Affecting Coverage Eligibility	Change in employment status of the employee, or a spouse or dependent of the employee, that affects the individual's eligibility under an employer's plan includes commencement or termination of employment.
Gain or Loss of Dependents' Eligibility Status	An event that causes an employee's dependent to satisfy or cease to satisfy coverage requirements under an employer's plan may include change in age, student, marital, employment or tax dependent status.
Change in Residence*	A change in the place of residence of the employee, spouse or dependent that affects eligibility to be covered under an employer's plan includes moving out of an HMO service area.

Some Other Permitted Changes:

Coverage and Cost Changes*	Your employer's plans may permit election changes due to cost or coverage changes. You may make a corresponding election change to your Dependent Care FSA benefit whenever you actually switch dependent care providers. However, if a relative (who is related by blood or marriage) provides custodial care for your eligible dependent, you cannot change your salary reduction amount solely on a desire to increase or decrease the amount being paid to that relative.
Open Enrollment Under Other Employer's Plan*	You may make an election change when your spouse or dependent makes an Open Enrollment Change in coverage under their employer's plan if they participate in their employer's plan and: <ul style="list-style-type: none"> • the other employer's plan has a different period of coverage (usually a plan year) or • the other employer's plan permits mid-plan year election changes under this event.
Judgment/Decree/Order†	If a judgment, decree or order from a divorce, legal separation (if recognized by state law), annulment or change in legal custody requires that you provide accident or health coverage for your dependent child (including a foster child who is your dependent), you may change your election to provide coverage for the dependent child. If the order requires that another individual (including your spouse and former spouse) covers the dependent child and provides coverage under that individual's plan, you may change your election to revoke coverage only for that dependent child and only if the other individual actually provides the coverage.
Medicare/Medicaid†	Gain or loss of Medicare/Medicaid coverage may trigger a permitted election change.
Health Insurance Portability and Accountability Act of 1996 (HIPAA)	If your employer's group health plan(s) are subject to HIPAA's special enrollment provision, the IRS regulations regarding HIPAA's special enrollment rights provide that an IRC § 125 cafeteria plan may permit you to change a salary reduction election to pay for the extra cost for group health coverage, on a pre-tax basis, effective retroactive to the date of the CIS event, if you enroll your new dependent within 30 days of one of the following CIS events: birth, adoption or placement for adoption. Note that a Medical Expense FSA is not subject to HIPAA's special enrollment provisions if it is funded solely by employee contributions.
Family and Medical Leave Act (FMLA) Protective Leave of Absence	Election changes may be made under the special rules relating to changes in elections by employees taking FMLA protective leave. Contact your employer for additional information.

* Does not apply to a Medical Expense FSA plan.

† Does not apply to a Dependent Care FSA plan.



Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors' and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Service at 1-800-342-8017 for an approximation.

FBMC Privacy Notice

4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

- I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of customer service, and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:
 - Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status and spousal and beneficiary information.
 - Responses from you and others such as information relating to your employment and insurance coverage.
 - Information about your relationships with us, such as products and services purchased, transaction history, claims history and premiums.
 - Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.
- II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: www.fbmc-benefits.com. You have a right to a paper copy at any time. Contact FBMC Customer Service at 1-800-342-8017.

- III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies, and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.
- IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

Notice of Administrator's Capacity

PLEASE READ: This notice advises Flexible Spending Account participants of the identity and relationship between the State of Illinois and its Contract Administrator, Fringe Benefits Management Company (FBMC). FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the Flexible Reimbursement Account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.

Processing Claims for Debit Card Transactions

The IRS requires all FSA expenses be substantiated by an independent third party review of the required supporting documentation. Recent IRS guidance permits this review to be conducted electronically when certain expenses are paid with a debit card that is used in conjunction with an FSA. Generally, this applies to prescriptions, known co-payment amounts and recurring expenses. However, some expenses that fall into any of these categories may still require documentation be submitted for further review. All expenses that fall outside these categories require documentation be submitted to FBMC.

The IRS guidance requires FSA customers keep the required documentation for a minimum of one year and submit immediately to FBMC upon request. Any customer who refuses to comply with such request or who uses his/her card for unqualified expenses may experience any or all of the following actions:

- suspension of card privileges
- offset to paper claim reimbursements (automatic substitution)
- salary deduction of unqualified or unsubstantiated expenses (as permitted by law) and/or
- tax consequences at the end of the calendar year.

Automatic Substitution for Debit Card Receipts

The IRS requires documentation of all Flexible Spending Account transactions. FBMC will continue notifying you in writing that documentation is needed/required to validate your debit card transactions (e.g. original receipts, substitute receipts, medical needs letter or payments, etc.).

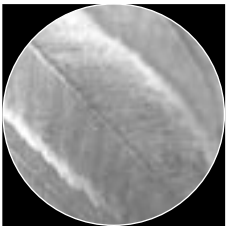
For your convenience, FBMC will apply approved paper claim requests to any outstanding debit card transactions. After receiving and processing approved debit card receipts, a payment will be made to you representing the difference between the approved paper claim(s) and any outstanding debit card transactions (if applicable).

Example: A debit card participant, John, has not submitted receipts for three (3) debit card transactions, each in the amount of \$10.00. Later, John submits a paper reimbursement request form for an eligible, out-of-pocket expense totaling \$120.00 and the entire amount is authorized for reimbursement. John will receive a reimbursement payment of \$90.00. The remaining \$30.00 of the \$120.00 reimbursement request will be used to offset the outstanding debit card transactions. After receiving and processing approved debit card receipts, a payment will be sent to John which represents the difference between the approved paper claim (\$120.00) and the outstanding debit card transactions (\$30.00).

Written Certification

When enrolling in either or both FSAs, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses and only for my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.







Contract Administrator
Fringe Benefits Management Company
P.O. Box 1878 • Tallahassee, Florida 32302-1878
Customer Service 1-800-342-8017 • 1-800-955-8771 (TDD)
www.fbmc-benefits.com

Information contained herein does not constitute an insurance certificate or policy.
Certificates will be provided to participants following the start of the plan year, if applicable.